

Written Testimony Charles Prestwood

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Committee on Commerce, Science & Transportation

Thank you, Mr. Chairman, for the opportunity to appear before you today.

My name is Charles Prestwood. I am from Conroe, Texas and I am 63 years old.

I built my retirement fund over the course of a long career in the natural gas industry, most of which I spent in the field with Houston Natural Gas working on pipelines. In the 1990s, when Enron acquired HNG, all my retirement investments were automatically converted to Enron stock.

Enron stock was aggressively promoted by executives within the company. I continued to receive part of my compensation from Enron in company stock and stock options. Enron promoted employee stock ownership verbally and through internal publications. Here is a quote from an internal publication sent to all employees in early 2001:

Simply stunning. That's how Chief Executive Officer Jeff Skilling describes Enron's strong financial and operating performance in 2000. Every major business — pipelines, wholesale services, retail and broadband — turned in strong performances for the year that were reflected in record volumes, contract value and profitability. Revenues increased two-and-a-half times, reaching \$101 billion. For the first time, Enron's pre-tax net income exceeded \$1 billion, a 32 percent increase over last year, and shareholders received an 89 percent gain on the stock price. Other significant highlights included:

- Fourth quarter revenues of \$40.75 billion, exceeding 1999's entire reported revenues of \$40 billion;
- 25 percent increase in earnings per diluted share to \$1.47;
- 59 percent increase in marketed energy volumes to 52 trillion British thermal unit equivalents per day; and
- Nearly doubling of new retail energy contracts to \$16.1 billion.

Enron Business met with Jeff to discuss last year's results and his outlook for 2001.

EB: Enron had a great 2000. How did we do it?

Jeff: Every one of our businesses performed beyond our expectations.

We believed in the story in this publication and it is typical of the type of promotion by Enron executives. I recall when the company did particularly well,

these types of internal publications would be circulated. I also recall attending a breakfast with Mr. Lay where he told us not to sell our Enron stock.

As a result of this type of promotion, I and many others continued to invest in Enron up until the bitter end. To me, this is the American way, loyalty to your employer.

I retired from Enron Corp. in October 2000 feeling that after a lifetime of hard work, my retirement account with Enron provided financial stability. I could no longer keep pace with the physically demanding work required in plant operations. I expected that Enron stock would support me. I worked hard to make it so. I had \$1.3 million in savings, all in Enron stock.

Let me mention the lockdown. The lockdown started, to the best of my knowledge on October 17, 2001. At this point, Enron had just announced the bad news that shocked us all. Much to our chagrin, we were locked out of our accounts. So folks who bought Enron on the street could trade, but we could not.

So where does that leave me? I can tell you, without pulling punches, something stinks here. There are people at Enron who made millions selling Enron stock, while we, the rank and file, got burned. It's that simple. I am left with a tiny fraction of my \$1.3 million, or about \$8,000. It's too late in my life to start over to build up my funds.

I don't know the law, but I know what is right and what is wrong. There is something terribly wrong here. I thought someone was supposed to be looking out for our interests. I thought that people had to treat us honestly and deal fairly with us. In my neck of the woods, what happened is not right.

I am only one of thousands who have been wiped out. I hope you can do something about it for me and the many like me.

I and my co-workers are proud of the industry we helped build, including the work we did for Enron and its predecessors. For most ordinary workers, Enron's failure taints lifetimes of dedicated work as well as a striking a devastating blow to our futures.

Thank you all for listening to me today.